
A Special Management Report From

Ag Industry Watch

An Ag Industry Watch Staff Report

The Agricultural Equipment Industry in Europe

- Austria
- Belgium
- Cyprus
- Czech Republic
- Denmark
- Estonia
- Finland
- France
- Germany
- Greece
- Hungary
- Ireland
- Italy



- Latvia
- Lithuania
- Luxembourg
- Malta
- Poland
- Portugal
- Slovakia
- Slovenia
- Spain
- Sweden
- The Netherlands
- United Kingdom

**VALUE OF AGRICULTURAL MACHINERY IN THE
EUROPEAN UNION (IN MILLION OF EUROS)**

Country	Production		Exports	
	2003	2004	2003	2004
Germany	3939.9	4531.5	2806.2	3425.2
Italy	3730.6	3950.0	2552.8	2759.3
France	2700.0	3140.0	1556.0	1780.0
United Kingdom	1785.2	1720.3	1175.0	1115.7
Austria	851.9	824.0	539.0	539.2
Denmark	757.0	750.0	455.2	465.6
Spain	526.8	530.0	300.8	297.0
Netherlands	541.1	520.0	776.2	776.0
Finland	565.9	504.0	366.2	319.3
Belgium	585.9	499.0	484.0	438.0
Sweden	440.0	420.0	376.9	353.4
Ireland	140.0	150.0	100.4	106.0
Portugal	80.0	87.0	15.4	18.4
Greece	40.0	45.0	18.3	25.6
EU 15*	16684.1	17670.7	4652.4	4889.3
EU 10 (as of 2004)*	1800.0	2000.0	603.7	712.4
EU 25*	18484.1	19670.7	3917.9	4335.8

Country	Imports		Market Volume	
	2003	2004	2003	2004
Germany	1530.7	1418.6	2664.3	2524.8
Italy	673.5	673.5	1851.2	1878.0
France	2392.0	2650.0	3536.0	4010.0
United Kingdom	1104.3	1199.6	1714.5	1804.2
Austria	368.9	364.9	681.8	649.7
Denmark	538.2	543.6	840.0	828.0
Spain	910.2	914.7	1136.2	1147.7
Netherlands	521.3	533.5	286.2	277.5
Finland	194.4	175.9	394.1	360.6
Belgium	731.0	851.0	832.9	912.0
Sweden	402.0	399.6	465.1	466.1
Ireland	278.21	309.2	317.8	353.2
Portugal	186.3	212.4	250.9	281.0
Greece	133.6	195.2	155.3	214.6
EU 15*	2077.7	2207.8	15126.1	15707.3
EU 10 (as of 2004)*	1029.5	1131.6	2225.8	2419.1
EU 25*	1691.7	1822.4	17351.9	18126.5

*excludes trade within the EU

Sources: CEMA, Eurostat, VDMA estimates

TABLE OF CONTENTS

Introduction	12	An Expanding German Market	17
The New EU States	13	Exports Keep Italian Manufactures	
Distribution Channels	14	Keep On Pace	18
Outlook for the EU	14	Tough Times in the U.K.	19
Overview of EU Markets	14	A Mixed Bag for Other EU Markets	19
A Flourishing Market in France	16	Potential Abounds for	
		Central & Eastern Europe	19

TABLES & CHARTS

Value of Agricultural Machinery	10	Table 4. Value of the Ag Equipment	16
in the European Union		Market in France — 2003-04	
Figure 1. Estimated Ag Equipment Sales	12	Table 5. Market Share of Tractor	16
by Manufacturer		Makers in France	
Table 1. Tractor Production in Western	12	Table 6. Ag Equipment Production in France	16
Europe (<i>in units</i>) — 2003 – 2004		(<i>number of units</i>) — 2004-05	
Table 2. Major European Farm Machinery	12	Figure 6. Breakdown of German	17
Manufacturers (<i>other than tractors</i>)		Ag Equipment Sales	
Figure 2. Exports of Ag Machinery of the	13	Table 7. Ag Equipment Production in Germany	17
10 New EU Member Countries		Table 8. 2005 Production and Value of	18
Figure 3. Exports and Imports of Ag	13	Italian Agricultural Equipment	
Machinery in the New EU States		Table 9. Value of Italian Imports and	18
Table 3. Statistical Ratios of Ag Dealers,	14	Exports of Ag Equipment	
Farms and Farm Size		Table 10. 2006 Outlook for Italian	18
Figure 4. Market Volume of the Biggest	15	Ag Equipment Industry	
Western European Markets		Table 11. Ag Equipment Production in the U.K.	19
Figure 5. Exports of Ag Machinery of	15	(<i>number of units</i>) – 2004-05	
Selected Countries — 2003			

Information Sources

VDMA — The German Agricultural Machinery Assn. • Farmers Weekly • Climmar — Assn. for Trade & Services of Agricultural Machinery • U.S. Commercial Service of the Dept. of Commerce • Sygma Economique • UNACOMA — National Union of Construction and Agricultural Machinery

Explanatory Notes

Most of the values shown in the original references for this report were shown in Euros. These were converted to U.S. dollars at an exchange rate of 1.2 (e.g. Euros x 1.2 = USD)

EUROPEAN UNION MEMBER AND CANDIDATE COUNTRIES – 2005

■ Austria	■ Greece	■ Portugal	Candidate Countries
■ Belgium	■ Hungary	■ Slovakia	■ Bulgaria (2007)
■ Cyprus	■ Ireland	■ Slovenia	■ Croatia
■ Czech Republic	■ Italy	■ Spain	■ Former Republic
■ Denmark	■ Latvia	■ Sweden	of Yugoslavia
■ Estonia	■ Lithuania	■ The Netherlands	■ Romania (2007)
■ Finland	■ Luxembourg	■ United Kingdom	■ Turkey
■ France	■ Malta		
■ Germany	■ Poland		

The Agricultural Equipment Industry in Europe

As a trade bloc, the European Union (EU) and its current 25 member states is the world's largest economy. Though the largest individual manufacturers of ag equipment, most notably tractors, are based in the U.S. (Figure 1), the EU ranks first in the world in terms of the total market for the production of farm machinery. According to statistics released by the VDMA Agricultural Machinery Assn. in Frankfurt, Germany, the production volume of agricultural equipment produced in the EU in 2004 reached nearly \$24 billion dollars.

According to the VDMA, some 1,200 facilities in the EU produce ag equipment, although fewer than 400 of those firms employ more than 20 people. Total employment in this sector is about 135,000. It is estimated that 2% of these equipment manufacturers are responsible for 60% of equipment volume produced in EU countries.

The 25 countries that are currently members of EU are listed on p. 11, as well as the 5 countries that are candidates to join the EU in the near future.

The major agricultural equipment producing countries of the EU include Germany, which accounts for 23% of total production, Italy 20% and France 16%. More than 75% of the ag equip-

ment manufactured in Europe is sold within the EU itself. The largest export markets for EU-produced equipment include North America and the Commonwealth of Independent States (CIS).

Only six Western European countries manufacture farm tractors, while Spain assembles them (Table 1). In 2004, equipment makers in these countries produced nearly 215,000 tractors. While the production of tractors in the EU grew by 5% in 2004, the longer-term prospects for production in the U.K. are less clear as AGCO

(Massey Ferguson) departed England in 2003 for France and Brazil. The resumption of production of McCormick tractors by the Argo group of Italy in Doncaster, England, in 2005, though, provided some good news.

Statistics for the manufacture of farm machinery in Central and Eastern European countries are not reliable at this time. Nonetheless, this region has some significant producers of tractors and other implements required by local farmers.

In addition to the major tractor makers throughout Europe, the con-

TABLE 1. TRACTOR PRODUCTION IN WESTERN EUROPE (IN UNITS) 2003 – 2004

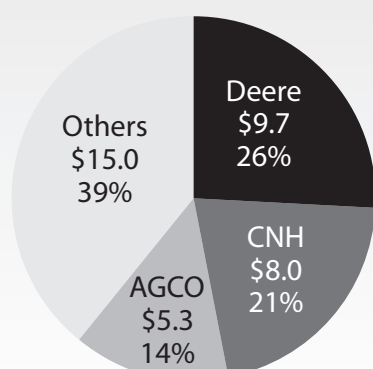
	2003	2004	% Change
Italy	79,847	78,141	-2.1%
Germany	51,407	59,236	15.2%
U.K.	30,408	29,138	-4.2%
France	22,490	26,530	22.4%
Austria	8,509	9,856	15.8%
Finland	10,928	9,691	-11.3%
Spain	1,039	1,027	-1.2%
Total	204,628	214,619	4.9%

TABLE 2. MAJOR EUROPEAN FARM MACHINERY MANUFACTURERS (OTHER THAN TRACTORS)

Company	Country	2004 Net Sales (000 \$)
Kverneland	Norway	\$604
Kuhn	France	\$556
Amazone	Germany	\$240
Krone	Germany	\$206
Lely	Netherlands	\$190
Exel	France	\$170
Hardi	Denmark	\$162
Pottinger	Austria	\$154
Alo	Sweden	\$151
Grimme	Germany	\$126
JF-Stoll	Denmark	\$138
Maschio	Italy	\$108
Kongsilde	Denmark	\$118
Lemken	Germany	\$110
Alamo	U.K.	\$95
Vaderstad	Sweden	\$74

Source: Farmers Weekly

FIGURE 1. ESTIMATED AG EQUIPMENT SALES BY MANUFACTURER
(Billions \$)



Foresight Research Solutions, LLC

continent also boasts several major manufacturers of farm implements. Table 2 shows the largest European producers of non-tractor farm machinery and implements.

The New EU States

The EU expanded its reach by 10 countries in 2004: Cyprus, the Czech Republic, Estonia, Hungary, Latvia,

Lithuania, Malta, Poland, Slovakia and Slovenia. These countries, many of which were part of the former Soviet Union, remain as net importers of farm machinery. Figures 2-3 show the

FIGURE 2. EXPORTS OF AG MACHINERY OF THE 10 NEW EU MEMBER COUNTRIES (% OF PRODUCTION)

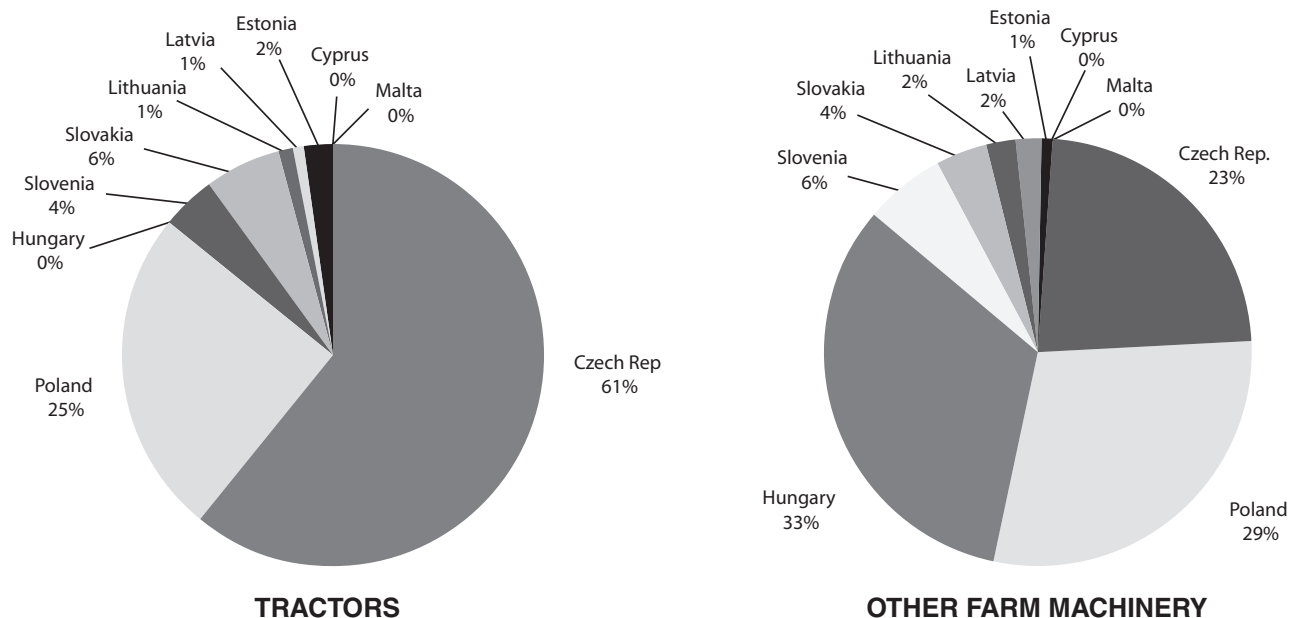
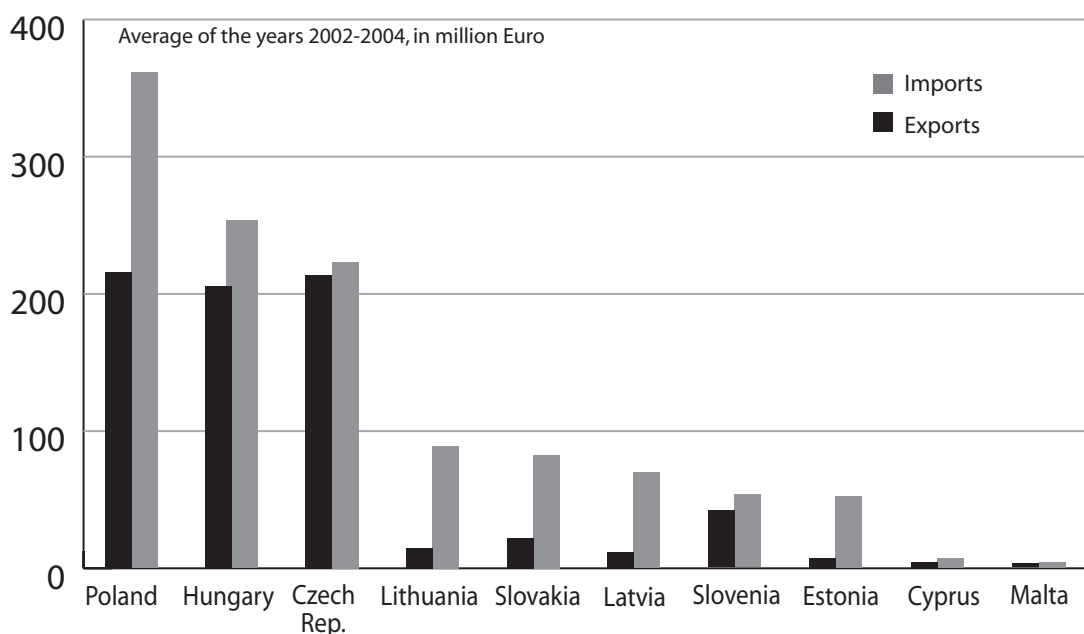


FIGURE 3. EXPORTS AND IMPORTS OF AG MACHINERY IN THE NEW EU STATES



Source: national statistic agencies

export-import activities for each of the newest members of the EU.

In 2004, the value of the imports to the 10 newest states of the EU was \$1.5 billion compared with about \$1 billion in exports. Of the exports, comprised mainly of parts and components, \$654 million were supplied to the EU 15 countries. More than 80% of this equipment originated from Poland, the Czech Republic and Hungary.

More than one-third of the imports into these countries came from Germany, followed by Italy and Finland. Poland accounted for more than 40% of the total imports coming into the new EU countries.

Distribution Channels

Unlike the distribution network in the U.S., where equipment manufacturers, in large part, work directly with local dealers, the European model is more heavily dependent upon a regional distributor network. These distributors act as a "middle man" between the equipment manufacturers and the local dealerships. Table 3 shows a breakdown of the 15

EU countries in terms of equipment dealers, farmers per dealer and the relative size of farms.

Outlook for the EU

It is estimated that the worldwide market for ag equipment is valued at more than \$65 billion. EU countries claim about a 40% market share of this global industry. Figure 4 illustrates the market volume of the largest Western European farm equipment producers.

It is expected that the three largest manufacturing nations in the EU — Germany, Italy and France — will see an increase of about 6% in sales during 2006. According to the VDMA, the outlook for Germany calls for an increase of 5%, which would correspond to a value of \$5.7 billion. "For the first time, the stimulus comes from the domestic market again this year, whereas the increase in the export business is weaker after years of significant growth," reports Bernd Scherer, managing director of VDMA.

Italy's manufacturers expect a significant rise in sales of 8% based largely on growth of export products. Sales

by farm machinery manufacturers in France exceeded the level of the previous year by 7% as their export share grew to 62%. Despite stagnant markets in other Western European states, growing exports to Central and Eastern European countries are expected to boost sales of ag equipment by 5% throughout the EU during the coming year.

Overall, the European agricultural machinery industry continues to strengthen its position throughout the European continent as well as in North America, even with disadvantages resulting from the exchange rate. The export of ag equipment for selected countries is shown in Figure 5.

Overview of EU Markets

Following an overall increase of 4% in 2004, sales of ag equipment in the EU in 2005 slowed slightly. As a result of increased capital spending in the new member states, however, a nominal increase of 3% is projected for the EU 25 in '06.

The biggest volume gains in the near term are expected to come in the manufacture and sales of harvesting

TABLE 3. STATISTICAL RATIOS OF AG DEALERS, FARMS AND FARM SIZE

2005 WESTERN EUROPEAN AGRICULTURAL DATA

	Dealers	Farmers	Employees	Average Farm Size (HA)	Average Farm Size (Acres)	Farmers Per Dealer	Employees Per Dealer
Germany	4750	388,500	34,400	43.8	108.2	81.8	7.2
Austria	410	170,000	3,100	25.0	61.8	414.6	7.6
Belgium	350	52,050	1,450	25.4	62.8	148.8	4.1
Denmark	203	46,502	3,105	56.5	139.6	229.1	15.3
France	1,100	590,000	24,000	45.0	111.2	536.4	21.8
Hungary	860	219,000	6,600	18.0	44.5	254.6	7.7
U.K.	2000	N/A	20,000	N/A	N/A	N/A	10.0
Ireland	250	135,000	3,200	35.0	86.5	540.0	12.8
Italy	2,200	2,300,000	7,000	5.0	12.3	1045.5	3.2
Luxembourg	20	1,481	190	60.0	148.3	74.05	9.5
Netherlands	800	100,000	6,000	N/A	N/A	125.0	7.5
Portugal	650	416,000	5,000	9.3	22.9	640.0	7.7
Sweden	150	76,800	1,875	35.0	86.4	512.0	12.5
Switzerland	20	71,000	511	15.3	37.8	3550.0	25.55
Czech Rep.	320	8,500	2,190	150.0	370.7	26.6	6.8
TOTALS	14,083	4,574,833	118,621	40.25384615	99.46725385	324.8479017	8.42299226

machines and combines. While these sales were depressed during the past few years, demand began to rise in '05 as a result of larger harvest volumes.

For most European markets, the sales of new combines grew only

slightly during the 2004-05 season. The number of combines sold in this period was about 6,800 units, somewhat above sales levels of the year before. Only in the U.K., Spain and Italy did the sales volume fall signifi-

cantly below the volume of the previous year. On the other hand, the market for this equipment in Germany increased by 19%, which helped compensate for poor years in 2003 and 2004.

FIGURE 4. MARKET VOLUME OF THE BIGGEST WESTERN EUROPEAN MARKETS

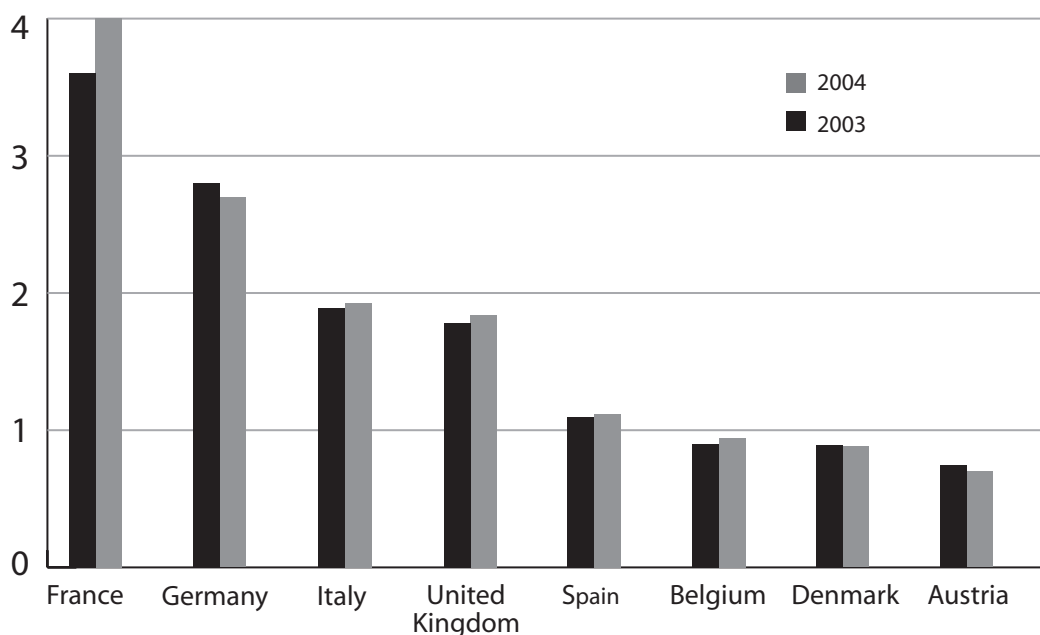
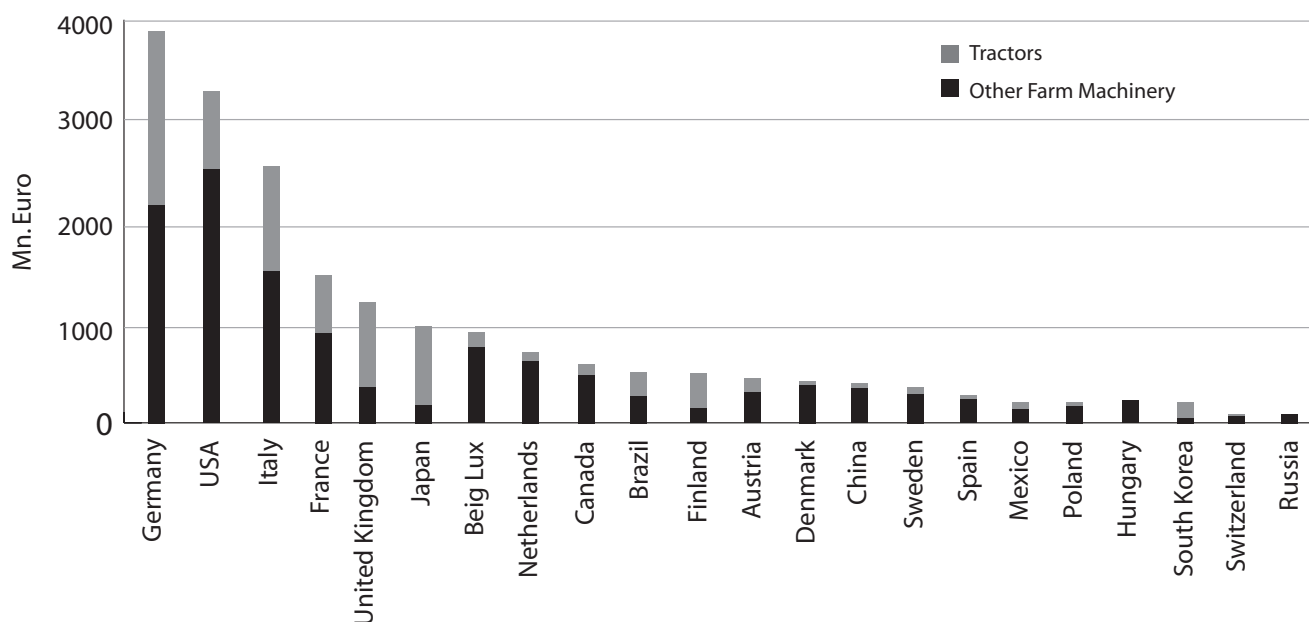


FIGURE 5. EXPORTS OF AG MACHINERY OF SELECTED COUNTRIES — 2003



Other forage harvesting equipment that experienced market growth in '05 included round balers (6%), big balers (3%) and mowers/conditioners (1%). Increased sales of harvesting equipment in Germany were due in large part to the construction of new biogas plants, resulting in a relatively stable market for much of Western Europe. This is helping to offset a 15% decline in sales of this equipment in other areas of Europe.

As for the Western European tractor market, a decrease of 3% to 176,500 units is predicted for 2006. Sales of tractors in the range of 50 hp or larger are expected to reach 153,000 units. At this level, the market is considered to be stagnant, remaining at essentially the same level of the previous year. French tractor makers are expected to see the largest dropoff

due to declines in shipments to the U.K., the Netherlands and Spain. So far, the Italian market has remained stable, and significant growth in Germany will only compensate for the overall reduction in the EU.

With the exception of combines and harvest equipment, sales of other farm machinery are not expected to fare as well in 2006 as it did in '05. No noticeable growth trend is seen for any of the other equipment categories, which include machines for tillage, sowing, fertilizing, spraying or that for livestock use. However, it appears that declines in unit sales may be offset by the value of shipments as the result of the growth in machinery size, such as the larger fertilizer spreaders and spraying equipment coming into the market in recent years. As a result, the sales value of

these types of equipment in Western Europe are likely to remain at the levels seen in the previous year.

A Flourishing Market in France

France has the largest market for tractors and agricultural machinery in Europe. According to the U.S. Commercial Service of the U.S. Dept. of Commerce, the French market for ag equipment totaled \$4.93 billion in 2004, and represents 25% of the total European ag equipment market and is second only to the U.S. in farm equipment imports on a global level. (Table 4). The U.S. is one of France's top suppliers of farm machinery (along with Germany and Italy), with a share of the current market estimated at 10.6%.

Market figures for 2004 showed an average growth of nearly 13.3% percent over the previous year. Growth in demand came primarily from tractors (5.3% in volume and 7.7% in value), combine harvesters (11.9% in volume) and high-density press balers (37% in volume). This pace is expected to level off slightly over the next 2 years mainly due to global economic uncertainties and farmer anxiety. In addition, the recent increase in steel and gasoline prices is expected to affect sales of new mobile agricultural machinery in coming years, especially tractors.

Production of tractors and other agricultural machinery is heavily concentrated in a few multinational manufacturers. The American firms John Deere, AGCO (Massey Ferguson, Fendt, Valtra), Caterpillar and Case New Holland dominate the domestic scene (Table 5).

In total, the French ag equipment industry is comprised of 205 companies, employing 22,000 people.

As the largest agricultural machinery market within Europe, France always plays a lead role in the overall trends of the industry. Since March 2005, the tractor market there has fallen below the level of the year before. This isn't surprising since tractor sales grew by 5% to 40,000 units in 2004 (Table 6). This was the sec-

TABLE 4. VALUE OF THE AG EQUIPMENT MARKET IN FRANCE — 2003-04 (IN BILLIONS \$)

	2003	2004
Total Market	\$3.6	\$4.9
Total Domestic Production	\$3.2	\$3.9
Total Exports	\$1.7	\$2.2
Total Imports	\$2.7	\$3.3
Total Imports from U.S.	\$279	\$344

Source: Sygma Economique

TABLE 5. MARKET SHARE OF TRACTOR MAKERS IN FRANCE

	2003	2004
John Deere	17.8%	18.6%
New Holland	16.1%	14.8%
Renault	15.4%	13.8%
Massey Ferguson	8.0%	10.9%

Source: Sygma Economique

TABLE 6. AG EQUIPMENT PRODUCTION IN FRANCE (NUMBER OF UNITS) – 2004-05

	2003	2004
Tractors	38,245	40,279
Combines	1,459	1,633
Balers	5,833	6,764
Forage Harvesters	384	419
Mowers/Conditioners	2,618	2,776
Trailers	25,420	24,530

Source: Sygma Economique

ond highest level ever, exceeded only in 1999. At 37,500 units, 2005 was expected to fall 7% below '04 levels.

While investment in cattle ranching and lawn and garden maintenance is increasing, demand in the intensive livestock and viticulture (vineyards and grapes) segments is diminishing. It is expected that the market value of French ag equipment for all of 2005 was \$4.6 billion. This figure is only slightly below the value of equipment sales during the previous year. The forecast for '06 calls for a falloff of 5%.

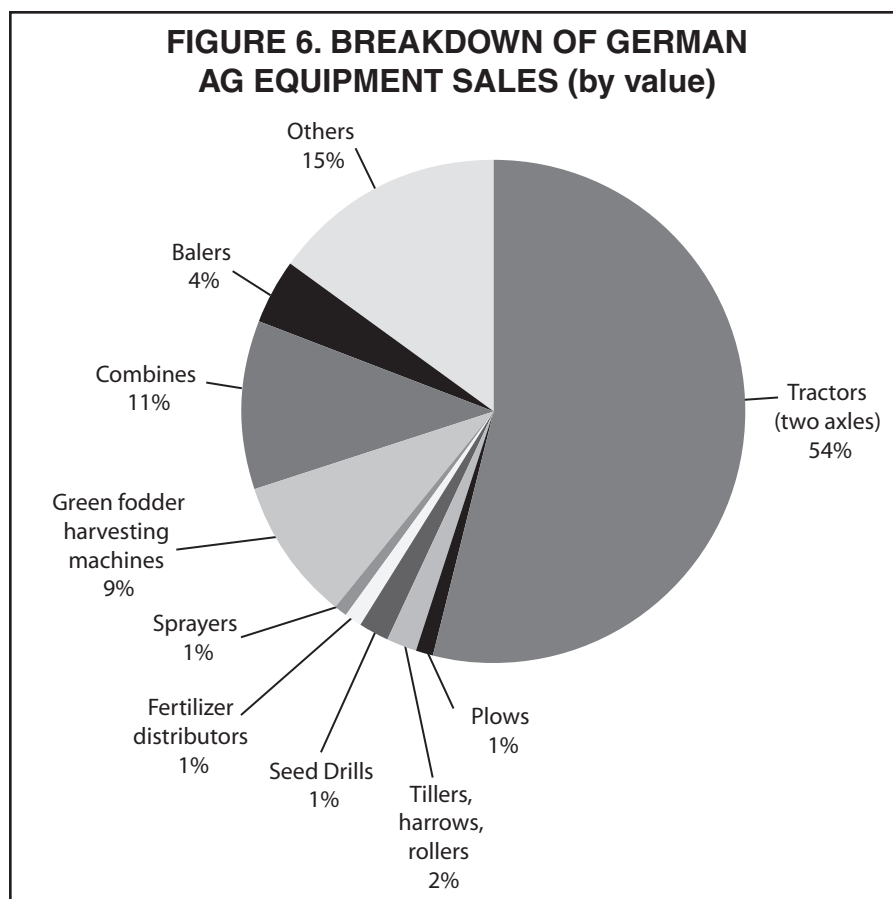
In line with the general trend in EU markets, sales of farm implements are forecast to drop by 10-15% compared with 2005. In the harvesting machinery segment, however, sales increased last year, except for forage harvester and big baler equipment. The 2004-05 season ended with an increase of 7% (1,754 units) for combines and 15% (6,025 units) for round balers. Mower sales exceeded the level of the previous year by 6%.

In addition to crop and pricing factors, the insecurity on the part of farmers as to how the new agricultural policy will affect the economics of farming will set much of the direction for the future of France's agriculture industry.

Despite this, several positive factors, such as the rising demand for investment in farm infrastructure, tax incentives and high meat prices, will help stabilize the market for agricultural machinery. Negative factors include the high price of energy and other ag inputs.

Industry analysts expect a leveling off of the agricultural machinery and equipment sector for the next two years. The European Union (EU) reforms of the Common Agricultural Policy (CAP) and the EU enlargement have resulted in uncertainty and in a general reluctance from French farmers to invest.

The reform plan to grant financial incentives to Eastern European Countries that have entered the EU might trigger a fall in the investments in equipment by French farmers and breeders. Cattle farmers and milk producers should be exceptions. Growing foreign competition combined with more stringent hygiene and environ-



mental standards and with lower ovine, beef, meat and milk prices will continue to push cattle breeders and milk producers to further automate operations in 2006 and beyond.

An Expanding German Market

Following very weak sales years in 2003 and 2004, the German market bounced back in 2005. By the end of the year, sales of farm machinery had exceeded that of the previous

year by 10-15% as farmers and contractors increased their investments. Together with the growth in renewable energy practices, high meat prices and clear political conditions, the stage is set for sustained growth for German ag equipment. Figure 6 illustrates the breakdown of sales of German farm machinery by equipment type. Table 7 shows production figures for 2003-04.

With high crop yields in 2004 allowing for increased spending for equipment, tractor sales in '05 grew

TABLE 7. AG EQUIPMENT PRODUCTION IN GERMANY (NUMBER OF UNITS)

	2003	2004
Tractors	21,869	22,143
Combines	2,205	1,874
Balers	2,192	2,022
Forage Harvesters	341	358
Mowers/Conditioners	11,228	10,291
Trailers	10,369	9,140

Source: VDMA

by 6% to 23,500 units. The sale of the harvesting machines grew considerably, as well.

The rapidly rising demand for combines in East Germany played a major role in the increased sales of harvest equipment last year. Overall, this market segment grew by 29% to 2,228 units. While sales of other German farm machinery also

improved in '05, increases were not nearly as significant.

The rising costs of operating inputs are especially threatening to Germany's agricultural industry in '06 as German farmers pay higher taxes on agricultural diesel than producers in neighboring countries.

In terms of total farm income, 2005 would rank as only an "average

year" for German farmers. While hog producers benefited from rising prices, dairy farms face strong cost pressures. Not even the good market for beef can compensate for sinking milk prices, which were running at about 31 cents per kg at year's end.

Row-crop farms had a good harvest in 2005. However, feed grain accounted for a large percentage of the production. As a result, farm incomes did not rise in proportion to crop yields. Nonetheless, as German producers seek to improve their productivity, overall investment in new equipment is expected to remain stable throughout 2006.

Exports Keep Italian Manufacturers on Pace

Italian tractor and agricultural machinery makers saw continued growth in both domestic and export markets in 2005 and are expecting slow, steady growth into '06, according to the National Union of Construction and Agricultural Machinery.

Reports from the group indicate that in 2005, the value of tractor production, incomplete tractors, spare parts and agricultural machinery rose to \$8.4 billion in '05 compared with \$8.3 billion in '04. This represents an increase 1.2% in value compared to 2004.

Table 8 shows the breakdown of the total Italian agricultural equipment market. Italian farm machinery manufacturers report that both exports and imports grew in 2005. Preliminary numbers for the year indicate that the value of exports increased to about \$4.4 billion compared with \$4.3 billion in '04, up 2.3%.

Expectations for imports suggested that there would be an overall decrease in unit shipments and value of the equipment in '05. The totals for imports showed a surplus of about \$1 billion, which is lower by 2.9% vs. \$1.03 billion in 2004.

Italian analysts say that the '05 trade balance displayed an overall surplus for tractors, incomplete tractors, spare parts and other agricultural machinery of 3.1%. The value of imported ag equipment is estimated

TABLE 8. 2005 PRODUCTION AND VALUE OF ITALIAN AGRICULTURAL EQUIPMENT

Production	Units (+/- vs. '04)	Tons (+/- vs. '04)	Value (millions of \$) (+/- vs. '04)
Tractors	84,500 (+2.3%)	223,500 (+0.4%)	\$2.76 (+2.6%)
Incomplete Tractors & Spares		75,600 (-2.9%)	\$897 (-0.4%)
Agricultural Machinery		629,000 (+0.4%)	\$4.77 (+0.7%)

TABLE 9. VALUE OF ITALIAN IMPORTS AND EXPORTS OF AG EQUIPMENT

	Imports	%	Exports	%
EU-15 countries	\$524,463	-4.8	\$1,378,922	+9.1
All Europe	\$571,330	-8.2	\$1,818,347	+10.0
Africa	\$207	-65.2	\$109,011	-8.7
America	\$374,661	+7.2	\$369,720	+16.3
Asia	\$59,637	+13.7	\$153,877	-0.4
Oceania	\$1,961	+83.4	\$69,955	+10.2
World Total	\$669,887	-5.8	\$2,522,076	+9.2

(Value in thousands of dollars and percentage variations are for the same period in 2004)

TABLE 10. 2006 OUTLOOK FOR ITALIAN AG EQUIPMENT INDUSTRY

	Units	Weight (tons)	Dollars (Millions)
Production (1)			
Tractors	83,900	223,700	\$2.78
2006 vs. 2005	-0.7%	+0.1%	+0.7%
Agricultural Machinery, Components and Spares		703,000	\$5.72
2006 vs. 2005		-0.2	+0.9
Exports (2)			
Tractors	65,250	182,000	\$1.56
2006 vs. 2005	0.4%	0.8%	1.2%
Agricultural Machinery, Components and Spare		430,500	\$2.89
2006 vs. 2005		0.6%	1.6%

(1) Figure estimated on retail prices, VAT not included

(2) CIF and FOB prices.

at \$3.4 billion compared with \$3.3 billion in 2004, or +3.9%.

Between January and July 2005, exports increased by 4.4% in weight and 9.2% in value. A detailed breakdown of the results for the 7 months showed that tractors increased by 7.1% in weight and 12% in value. Exports of other agricultural machinery grew by 3% in weight and 7.6% in value. Imports decreased by 9.9% in weight and 5.8% in value.

The value of Italy's imports and exports of tractors and agricultural machinery broken down by geographic area is shown in Table 9.

In terms of export volume, Europe continued to be the largest export market for Italian farm equipment for the first 7 months of 2005, accounting for 72.1% of the total value of exported equipment compared with 71.6% in '04. The Americas followed with a 14.7% share, up from 13.8% in the previous year. Asia's share of Italian exports slipped to 6.1% compared to 6.7% in '04. Africa's share grew to 5.2%, up from 4.3%. Oceania accounted for 2.8% of Italian exports, the same level of the year prior.

Table 10 shows the forecast for Italian ag equipment exports in 2006. A slowdown in exports of tractors is forecast largely due to stagnant demand in Western Europe and the U.S. At the same time, exports are expected to increase to Central and Eastern Europe.

The outlook for the domestic market for tractors is 34,500 machines in 2006 vs. 35,500 in 2005 (-2.8%). For other agricultural machinery, components and spare parts, a decrease of about 0.6% is expected.

Tough Times in the U.K.

In the United Kingdom, 4 years of growth from previously low levels were followed by a significant falloff in 2005. In the first 9 months of the year, the tractor market shrank by 12.5%, representing a dropoff of 13,000 new registrations by year's end. Through August of '05, sales of other farm machinery fell only by 3% thanks to increased sales of spare parts.

After a dramatic rise in sales of combines in 2004 (Table 11), the mar-

ket fell back by 15% in '05 to 630 units. The baler market exhibited only a very slight decrease, and the forage harvester market diminished significantly to 114 units. So far, the outlook for the coming months is not markedly improved as U.K. farmers continue to push back their purchasing plans. In general, the cash flow of the farms has fallen in both the row-crop farming and the dairy cattle sector.

A Mixed Bag for Other EU Markets

The outlook for ag equipment sales in other European countries is a mixed one. Scandinavian markets continue to develop a healthy upward pattern. Like Germany, Denmark expects significant growth in its markets for farm machinery. In Belgium, the market is shrinking, though the demand for machinery is expected to pick up again somewhat by the end of the year. The Dutch market is also incurring heavy declines.

During the past year, the Iberian Peninsula was affected by a major drought as little or no rain fell from the beginning of the year until the harvest. Consequently, investment in new machinery was greatly diminished. Markets in Switzerland and Austria are stable with some possibility of growth in 2006. And in Switzerland, the downward trend of the past several years appears to be ending.

Potential Abounds in Central and Eastern Europe

Once again, the agricultural machinery market in the new EU countries has showed very healthy development in 2005. For most of

these countries, Germany is the main supplier, especially of harvesting machinery. Therefore, German exports are considered a good indication of the market development. In 2005, shipments skyrocketed following 2 years of moderate growth.

From January through August '05, German exports to the 8 new Eastern European EU member countries increased by 42% to \$414 million. The Polish market, which absorbed 38% more German agricultural machinery in '05 than in the previous year, accounted for 30% of the German exports to the new EU 10 states.

However, growth was experienced in all of the new EU countries. Comparatively, Slovenia and Hungary, where imports picked up during the last 3 months of the year, exhibited the most moderate growth rates. At least for German farm equipment makers, Russian and Ukraine markets are showing good potential and are developing into solid trade partners. In Romania and Bulgaria, the Special Assessment Program for Agricultural and Rural Development funds for the preparation to EU accession are also exerting a positive influence on investments in the agricultural sector.

**TABLE 11. AG EQUIPMENT PRODUCTION IN THE U.K.
(NUMBER OF UNITS) – 2004-05**

	2003	2004
Tractors (over 40 hp)	14,606	14,995
Combines	640	755
Balers	1,760	1,462
Forage Harvesters	170	151

Source: A.E.A.

For more on the equipment outlook for 2006, see the just-released 32-page special management report — FREE to Ag Industry Watch subscribers. (A \$149 value!)

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